



Republic of the Philippines
House of Representatives
Quezon City



EIGHTEENTH CONGRESS
Third Regular Session

House Bill No. 9930

Introduced by REPRESENTATIVE ERIC L. OLIVAREZ

EXPLANATORY NOTE

During several occasions in the past years, President Rodrigo Roa Duterte expressed his view that borrowing money from 5-6 loan sharks further aggravates poverty among the poor.¹ This is because 5-6 is an informal lending practice that imposes usurious interest rates to its borrowers. Although this informal lending practice come at a high interest rate, many still avail of this method because this provides a more expeditious way of borrowing money. Additionally, the high collateral requirements of formal lenders have become a hindrance for micro, small and medium enterprises (MSMEs) which lead to utilization of the services of informal lenders. However, the usurious interest rates tend to become burdensome to entrepreneurs which affect their growth and development especially micro enterprises.

Considering the circumstances stated in the preceding paragraph, this Bill seeks to institutionalize the the *Pondo sa Pagbabago at Pag-assenso* (P3) fund in order to provide an affordable, accessible and simple micro-financing program, encourage micro enterprises, and avoid, if not totally halt, borrowing from informal lenders. Through the passage of this Bill, micro enterprises will be able to effectively sustain their businesses and become more self-sufficient.

¹ <https://politics.com.ph/duterte-campaigns-vs-5-6-lending-scheme-anew/>

In order to address the financing difficulties of micro enterprises, the passage of this Bill is earnestly sought.

Eric C. Olivarez
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1
2 **“AN ACT PROVIDING A SOCIALIZED MICROFINANCING**
3 **PROGRAM FOR MICRO ENTERPRISES THEREBY**
4 **PROMOTING ENTREPRENEURSHIP”**

5 *Be it enacted in the Senate and the House of Representatives of the Republic of the*
6 *Philippines in Congress assembled:*

7 **SECTION 1. *Short Title.*** – This Act shall be known as the “*Pondo sa*
8 *Pagbabago at Pag-asenso Act*” or the “*P3*” Act”.

9 **SECTION 2. *Declaration of Policy.*** – It is hereby the declared
10 policy of the State to strengthen and promote the advancement and self-
11 sufficiency of micro, small, and medium enterprises (MSMEs) in order to
12 contribute greatly to the national development. Towards this end, the
13 State shall initiate programs that will assist MSMEs in financing their
14 respective enterprises in order to sustain the demands and constraints of
15 their respective businesses.

16 **SECTION 3. *Objectives.*** – The following are the objectives of the
17 P3 Act:

- 1 a. To provide an affordable, accessible, and simple micro-
2 financing program for the country's micro-enterprises,
3 especially those in the poorest populations;
- 4 b. To provide a better alternative to the informal lenders usually
5 availed of by micro enterprises; and
- 6 c. To provide a reasonable interest rate at which micro-finance
7 is made available to micro enterprises.

8 **SECTION 4. *Creation of the Pondo sa Pagbabago at Pag-***
9 ***asesnso (P3); Micro Enterprises as Beneficiaries.*** – There is hereby
10 created the Pondo sa Pagbabago at Pag-asesnso, hereinafter referred to
11 as the “P3 Fund” which shall be a fund specifically for the purpose of
12 lending out to qualified micro enterprises under such terms and
13 conditions that shall be formulated under this Act.

14 The beneficiaries of the P3 Fund shall be micro enterprises, as
15 defined under Republic Act No. 6977, as amended, or otherwise known
16 as the “Magna Carta for Micro, Small, and Medium Enterprises (MSMEs)”.

17 The fund shall be primarily accessible through the accredited
18 partner financial institutions (PFIs) such as rural banks, thrift banks,
19 development banks, cooperatives with license to lend, micro-financing
20 institutions (MFIs), or lending companies duly licensed by the Bangko
21 Sentral ng Pilipinas, Cooperative Development Authority (CDA), or the
22 Securities and Exchange Commission (SEC).

23 **SECTION 5. *Lead Implementing Agency.*** – The Small Business
24 Corporation (SB Corp.) which is the financing arm of the Department of
25 Trade and Industry shall be the lead implementing agency for the P3
26 Fund. It shall handle the fund delivery to micro-enterprises through the
27 following modes:

- 28 a. Direct lending;
- 29 b. Lending through accredited PFIs

30 To fund the administrative and operating expenses of the SB Corp.,
31 an amount not exceeding five percent (5%) of the total loans disbursed
32 shall be provided annually to the SB Corp. to be sourced out from an
33 additional annual allocation.

1 **SECTION 6. Features of the P3 Fund.** – The P3 Fund shall have
2 the following features:

- 3 a. The maximum interest rate to be imposed on the loan availed of by
4 the P3 Fund beneficiaries shall be two and a half percent (2.5%) per
5 month. *Provided*, that after three (3) years from the effectivity of this
6 Act, a higher ceiling may be allowed up to three percent (3%) per
7 month, subject to the review of the Micro, Small and Medium
8 Enterprise (MSMED) Council;
- 9 b. The interest earnings shall accrue to the P3 Fund;
- 10 c. No collateral requirement from the P3 Fund loan beneficiaries shall
11 be required; and
- 12 d. The loanable amount for individual loans shall be set and regularly
13 reviewed by the MSMED Council.

14 **SECTION 7. Policy Oversight Function.** – The MSMED Council
15 shall monitor both the utilization and disbursements of the P3 Fund. It shall
16 submit to the President of the Philippines and to Congress, through the
17 Congressional Oversight Committee on Micro, Small and Medium
18 Enterprise Development (COC-MSMED), a yearly report on the status of
19 the P3 Fund.

20 **SECTION 8. Appropriations.** – The amount necessary to carry
21 out the provisions of this Act shall be charged against the appropriations
22 released for the purpose under the General Appropriations Act for the SB
23 Corp. Thereafter, such sums as may be necessary for the continued
24 implementation of this Act shall be included in the annual General
25 Appropriations Act.

26 **SECTION 9. Implementing Rules and Regulations.** – Within sixty
27 (60) days from the approval of this Act, the Department of Trade and
28 Industry shall formulate and promulgate the necessary rules and
29 regulations to implement the provisions of this Act. The implementing
30 rules and regulations issued pursuant to this Section shall take effect thirty
31 (30) days after its publication in at least two (2) newspapers of general
32 circulation.

1 **SECTION 10. *Separability Clause.*** – If any provision of this Act is
2 declared invalid or unconstitutional, the other provisions not affected
3 thereby shall remain valid and subsisting.

4 **SECTION 11. *Repealing Clause.*** – All acts, executive orders,
5 memorandum circulars/guidelines and other issuances or parts thereof,
6 which are inconsistent with this Act, are hereby repealed or modified
7 accordingly.

8 **SECTION 12. *Effectivity.*** – This Act shall take effect fifteen (15)
9 days after its publication in the Official Gazette or in two (2) newspapers
10 of general circulation

11 **APPROVED.**